

Exhibit C

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF THE PUERTO RICO FISCAL AGENCY AND FINANCIAL
ADVISORY AUTHORITY REGARDING THE GOVERNMENT OF PUERTO RICO'S
RECENT ACTIVITIES IN RESPONSE TO THE ONGOING COVID-19 PANDEMIC**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), through its undersigned counsel, hereby submits this status report on behalf of the Government of the Commonwealth of Puerto Rico (the "Government") in response to the Court's *Order Regarding Procedures for April 22, 2020, Omnibus Hearing* [ECF No. 12721] and states as follows:

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566(LTS)) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

PRELIMINARY STATEMENT

1. Since the March 2020 omnibus hearing, the world has fundamentally changed. Puerto Rico, along with the rest of the world, is facing an unprecedented challenge based on the outbreak of a respiratory illness caused by a novel (new) coronavirus, known as COVID-19. Cases of COVID-19 are being reported in a growing number of countries internationally, including the United States. As of April 21, 2020, there have been more than 2.5 million confirmed COVID-19 cases globally and over 172,000 people have died. The United States alone has reported over 794,000 COVID-19 cases, including more than 42,000 deaths. Of this amount, Puerto Rico has reported 915 confirmed cases and 64 deaths.

2. There is no doubt that the COVID-19 pandemic is inflicting unprecedented human costs. To protect lives, governments around the world (including the United States and Puerto Rico) have implemented shelter-in-place orders to promote the social distancing necessary to slow the spread of the virus and preserve precious medical supplies and healthcare services. These isolation efforts, however, also often include the widespread closure of businesses, which is inflicting severe damage to the economy, especially in sectors that heavily rely on social interactions (such as travel, hospitality, entertainment, and tourism). According to the International Monetary Fund's ("IMF") World Economic Outlook published on April 14, 2020, the global economy is facing its worst downturn since the Great Depression. The IMF projects the global economy to contract by 3% and the U.S. economy to contract by 6% in 2020, an outcome far worse than the 2008 global financial crisis. And the prospect of a positive rebound in 2021 depends on the pandemic fading in the second half of 2020, which at this point remains highly uncertain.

3. Puerto Rico is not and will not be immune from the negative economic effects of COVID-19. Because of Puerto Rico's close ties to the United States' mainland economy, a

downturn in the U.S. economy indirectly affects Puerto Rico. These indirect impacts stem from the slowdown of the overall U.S. economy and the threat of a prolonged recession that will affect many industries, including retail, manufacturing, oil and gas, tourism, gaming and lodging, transportation, healthcare, and education, to name a few. Government revenue collections are already being materially adversely affected by reductions in overall economic activity as a result of mobility restrictions and business closures, and delays in the receipt of income taxes as a result of the postponement of income tax return filing dates. In fact, Puerto Rico Treasury Secretary Francisco Parés recently projected that the Commonwealth may lose between \$1.5 billion and \$1.6 billion in tax revenue due to a combination of reduced economic activity and delays or postponements of tax payments during the remaining four months of the current fiscal year ending June 30, 2020. The total decrease could be much greater depending on the trajectory of the virus and the ability of policy decisions to sustain households and businesses during this difficult period.

4. The COVID-19 outbreak is also having a direct negative impact on economic and social life in Puerto Rico. The public safety measures mandated by executive order (as discussed below), which entail the closing of certain businesses and the implementation of a curfew, have halted much of the economic activity on the Island. Due to the restrictions on travel in Puerto Rico and as globally compounded by changes in consumer behavior, the loss of tourist expenditures will accumulate not only for the duration of the crisis, but for a much longer period. As businesses struggle to survive, many have been forced to layoff or furlough workers, resulting in a record number of new unemployment claims in Puerto Rico. The Puerto Rico Tourism Department estimates that occupancy rates in Puerto Rico hotels has dropped to an average of 8% and from March 14 to April 17, 2020, the Puerto Rico Department of Labor received approximately 173,926 new unemployment claims. Recently, AAFAF Executive Director Omar Marrero estimated the

fiscal year 2020 economic impact of the pandemic in Puerto Rico to be \$4 billion. The total impact could be much greater depending on the trajectory of the virus and the ability of policy decisions to sustain households and businesses during this difficult period.

5. Over the last several weeks, the Government has implemented aggressive measures to minimize the spread of COVID-19. In part, this is because many of Puerto Rico's hospitals do not have the same resources to stock ventilators and personal protective equipment as their counterparts in the United States. Although Puerto Rico is not currently experiencing a surge of COVID-19 cases and is not facing a shortage of ventilators (as of April 20, 2020, the number of ventilators in use was 254 out of a total of 1,036), the Government is actively working to curtail the spread of the virus because a breakout of COVID-19 would wreak havoc on Puerto Rico's fragile health system.

6. Although the full extent of the financial impact of COVID-19 on Puerto Rico remains uncertain, it is clear that the Government faces a significant challenge in safeguarding public health and safety, ensuring the provision of public services (including health services, rising unemployment and economic distress), and coordinating rehabilitative measures against the backdrop of economic fragility. Addressing this challenge is the Government's top priority. To this end, the Government has taken a series of aggressive measures to combat the virus and protect the people of Puerto Rico.

I. GOVERNMENT ACTIONS IN RESPONSE TO COVID-19

A. Authorization to Use Emergency Reserve Funds

7. Prior to the global spread of COVID-19, the Government strongly advocated in these Title III cases for the retention of any excess cash or additional resources so that Puerto Rico would be prepared to address its next unexpected crisis. The last several weeks have vindicated this position, as substantial resources have been and will continue to be needed to respond to and

mitigate the negative health and economic impacts of COVID-19. In the current fiscal plan for the Commonwealth as certified on May 9, 2019, the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board” or “Board”) approved an Emergency Reserve Fund to be funded with \$130 million annually. During fiscal years 2019 and 2020, the Emergency Reserve Fund accumulated \$260 million in reserve funds, of which approximately \$160 million remained after the Oversight Board authorized the use of \$100 million to respond to Puerto Rico’s recent earthquake emergency in January 2020.

8. On March 13, 2020, AAFAF sent a request to the Oversight Board seeking authorization to use the remaining \$160 million from the Emergency Reserve Fund for preparedness and response to the COVID-19 emergency. That same day, the Oversight Board authorized the use of these funds on the condition that the Puerto Rico Office of Management and Budget (“OMB”) must provide weekly reports to the Board on its uses and the disbursements of emergency expenses. The OMB has been providing these weekly reports to the Board.

B. The Governor’s Executive Orders: Shelter in Place and Curfew

9. In response to the outbreak of COVID-19, Governor Wanda Vázquez Garced (the “Governor”) issued a series of executive orders designed to protect the health, safety, and welfare of the people of Puerto Rico. On March 15, 2020, the Governor signed Executive Order OE-2020-023 (“Executive Order 23”), which directed the closure of certain businesses in Puerto Rico from March 15 at 6:00 p.m. until March 30, 2020. Executive Order 23 also imposed a curfew from 9:00 p.m. through 5:00 a.m. during which time all residents of Puerto Rico must remain at home and limited the purposes for which citizens may travel for essential services during non-curfew hours. In addition, all public schools have been closed since March 16, 2020, and the Government is operating on a partial shutdown as a result of Executive Order 23.

10. Through Executive Order 23, Puerto Rico was the first U.S. jurisdiction to implement a shelter-in-place order. The Governor acted earlier than any other state, including states that experienced the first significant COVID-19 outbreaks such as California (March 19, 2020), New York (March 20, 2020), and Washington (March 23, 2020).

11. As a result of the continuing effects of the outbreak, on March 30, 2020, the Governor signed Executive Order OE-2020-029 ("Executive Order 29"), which amended Executive Order 23 by imposing a stricter shelter-in-place order through April 12, 2020. The curfew was extended to require all Puerto Rico residents to remain in their homes between 7 p.m. and 5 a.m. and further clarified that residents may only leave their homes under certain limited circumstances. Executive Order 29 also requires that supermarkets be closed on Sundays. On April 12, 2020 the Governor issued Executive Order OE-2020-033 (as subsequently amended by Executive Order OE-2020-034 on April 14, 2020), which further extended, with some modifications, the existing protective measures under previous executive orders to May 3, 2020.

12. On March 18, 2020, the Governor requested the Federal Aviation Administration (the "FAA") take a series of steps to limit air traffic into Puerto Rico, including suspending all domestic and international flights to and from Puerto Rico. In response, the FAA agreed that all commercial flights must now land at Luis Muñoz Marín International Airport, located in San Juan. The Governor is requiring that every passenger, both domestic and international, arriving in Puerto Rico, remain quarantined for 14 days. These measures were fortified by Executive Order OE-2020-030 signed by the Governor on March 30, 2020.

13. The Governor has also issued several additional executive orders in response to COVID-19 to address, among other things, homelessness, school and private sector closures, acquisition of goods and services, use of the National Guard, prompt diagnosis of COVID-19,

special leave for public employees affected by COVID-19, the creation of a medical and an economic task force to advise the Governor, and the declaration of a state of emergency due to the pandemic. The Governor has also mandated daily reporting by health facilities on suspected and actual incidences of the COVID-19 infection, negative test results, and deaths associated with the COVID-19 infection. Taken together, these measures help protect the physical, mental, and economic health of the people of Puerto Rico, while preserving the social fabric of the Island's diverse communities. The Governor continues to maintain direct communication with mayors, members of the legislature, agency heads, private sector leaders, and all units of the Government to ensure that the response to COVID-19 is coordinated and appropriate.

C. Puerto Rico Economic and Legislative Measures

14. To address the economic impact of COVID-19, on March 23, 2020, the Governor, with the support of the Oversight Board, announced an initial \$787 million economic short-term stimulus package to address local issues (the "Emergency Measures Support Package"). The Emergency Measures Support Package is among the most complete and ambitious packages awarded to date at the state/territory level to face this unprecedented crisis.

15. The Emergency Measures Support Package includes a series of short-term measures designed to mitigate COVID-19's impact on the security and prosperity of the people of Puerto Rico. The Emergency Measures Support Package includes measures such as:

- Paying in full of all salaries and wages to the employees of the central Government and its public corporations throughout the emergency period (the Governor also urged the Island's 78 municipalities to maintain their total payroll for their workers).
- Postponing the 2019 income tax filing deadline to July 15, 2020.
- Suspending the collection of the Commonwealth sales-and-use tax (the "SUT") at the Island's ports and within the supply chain for the next three months.
- Suspending the collection of the SUT for prepared meals until May 3, 2020.

- Waiving penalties for non-compliance with bi-monthly SUT reporting and remittance, as well as missed payments on estimated income tax bills for two months.
- Suspending a 10% withholding tax on professional services for three months.
- Providing \$500 cash payments to nearly 200,000 self-employed individuals, for a total of \$100 million. As of April 2, 2020, over \$48.6 million had already been disbursed to over 97,000 individuals.
- Distributing \$1,500 cash payments to small businesses for a total of \$60 million.
- Earmarking \$187 million for bonuses of up to \$4,000 for nurses in public and private hospitals, bonuses of up to \$2,500 for healthcare technicians and \$1,000 for medical residents, medical technologists and pharmaceutical personnel.
- Earmarking \$50 million for bonuses of up to \$3,500 for emergency medical personnel, firefighters, prison guards and other first responders and up to \$4,000 bonuses for police officers.
- Allocating \$240 million for the Department of Education to support and enable online learning while schools are closed, to buy tablets for every student and teacher, and provide teachers and students with software and training.
- Investing \$20 million for equipment and capital expenditures, which funds will be in the custody of the Department of Public Safety.
- Allocating \$6 million to HTA to restore lost revenues resulting from reduced toll collections.
- Investing \$30 million in hospitals for necessary medical supplies, not directly related to COVID-19, as COVID-19 supplies will be covered under the Emergency Reserve Funds.
- Authorizing physicians to practice medicine in Puerto Rico to use telemedicine, medical consultations by telephone or by any other authorized method to evaluate their patients.
- Allocating \$100 million for municipalities to provide financial support for lost revenues over the next two months as a result of the emergency measures implemented to fight COVID-19.
- Commitment to work with the federal government to accelerate and increase unemployment benefits for self-employed, part-time workers, and people who have been sent home without pay.
- Ordering that utility services will not be suspended during the emergency period.

- Mandating agency heads to present work-from-home plans for all areas where remote work is possible within 48 hours (which plans will cover professional services providers, businesses, private suppliers and nonprofits).
- Agreement by the Island's banks and credit unions to establish 120-day moratoriums on the payment of mortgage, auto, personal loans and credit card bills for clients who request it and qualify.

16. This Emergency Measures Support Package, which was first announced by the Governor in a public address on March 23, 2020, is the first phase of an economic and fiscal plan that will allow the Government to respond effectively to the crisis and to protect and support the productive sectors of the Puerto Rico economy. The Emergency Measures Support Package enjoys the support of the Oversight Board, which has worked tirelessly with the Government to quickly develop and implement this fiscal policy solution for the health and safety of Puerto Rico.

17. On March 28, 2020, the Puerto Rico Legislature approved, and the Oversight Board certified, a Joint Resolution to allocate \$500 million from the General Fund to cover the initial phase of the Emergency Measures Support Package. On March 30, 2020, the Oversight Board approved a reprogramming request to transfer \$157 million under the custody of OMB to various agencies as necessary to further implement the Emergency Measures Support Package.

18. On April 15, 2020, the Governor signed into law a Joint Resolution approved by the Puerto Rico Legislature ordering all banking and financial institutions (including cooperatives) authorized to do business in Puerto Rico to implement a moratorium, upon the borrower's request, on payments for personal loans, car loans, mortgage loans, and credit card debt due from March 2020 through June 2020. The moratorium will apply to individuals that were current on their payments as of March 12, 2020 and who notify their bank that their financial situation has been directly affected by the measures adopted in Executive Order 23 (as amended) to combat the spread of COVID-19. The moratorium may be requested at any time during the four-month period. This measure also prohibits interest rate increases and the collection of surcharges and penalties for

borrowers who utilize the program. If a borrower utilizes the moratorium, the term of such borrower's debt must be extended for a period of time equal to their applicable moratorium period, and in the case of mortgage loans, any mortgage modifications granted by the lender must be automatically formalized in the mortgage note and deed by the financial institution.

19. On April 16, 2020, the Governor announced preliminary measures for a second stimulus package for Puerto Rico. The proposal includes a stimulus check of \$500 for salaried private sector employees and retirees.

D. Federal Government Stimulus and Monetary Policy Actions

20. In the last month, Congress has authorized three federal stimulus packages to assist state and local government responses to the public health and economic crisis caused by COVID-19. In addition, President Trump has declared a national state of emergency and the Federal Reserve has implemented significant monetary policy actions to combat the negative effects on the economy. To date, the total impact of these federal economic stimulus measures exceeds \$6 trillion.

21. On March 6, 2020, Congress enacted the Coronavirus Preparedness and Response Supplemental Appropriations Act (Public Law 116-123) as its initial stimulus measure. Under this law, Congress authorized \$8.3 billion in emergency aid funds, which included, among other things: (1) \$3.1 billion for domestic and international research and development of vaccines, therapeutics and diagnostics related to COVID-19; (2) \$950 million for state and local health departments (including Puerto Rico) to address prevention, preparedness, and response measures; (3) \$100 million in grants for pharmaceuticals and medical supplies; and (4) \$264 million for evacuating U.S. diplomats and improving global health.

22. On March 13, 2020, President Trump declared a national emergency pursuant to section 501(b) of the Stafford Act in response to the COVID-19 pandemic, which made available \$50 billion in emergency funding to the states and territories. As a result of this declaration, Puerto Rico qualifies for assistance from the Federal Emergency Management Agency's ("FEMA's") public assistance program for reimbursement of certain expenses relating to the pandemic. These expenses include, among others, medical equipment, medical installations, medicines, food purchase and distribution. On March 24, 2020, the Governor requested additional assistance from FEMA for unemployment benefits to residents of Puerto Rico that are laid-off as a result of the COVID-19 emergency.

23. On March 18, 2020, Congress approved its second stimulus package through enactment of The Families First Coronavirus Response Act (Public Law 116-127). Under this law, the federal government guaranteed free COVID-19 testing in the United States, established paid sick leave and enhancements to unemployment insurances, and increased Medicaid's federal medical assistance percentage ("FMAP") rate by 6.2% until an end of disaster declaration is issued. Furthermore, Congress authorized an additional \$100 million in supplemental nutrition assistance for U.S. territories through September 2021.

24. On March 27, 2020, President Trump signed into law the \$2 trillion Coronavirus Aid Relief and Economic Security Act (the "CARES Act"), which was Congress' third (and most important) stimulus package providing for the following key measures, among other things:

- **Recovery Rebates:** All U.S. citizens and residents (including in Puerto Rico) will receive one-time cash payments of \$1,200 for single taxpayers, \$2,400 for married filers and \$500 for each child, with payments gradually phasing out for individuals who earn between \$75,000 and \$99,000 per year (or \$150,000 and \$198,000 for married filers). The Government's initial estimate is that eligible residents of Puerto Rico will receive a total aggregate amount of \$1.5 billion in Recovery Rebates and that the disbursements should commence by the end of this month.

- **Expansion of Unemployment Insurance Benefits:** Weekly unemployment benefits were increased by an additional \$600 to all unemployment insurance recipients for up to four months, the duration of benefits was extended to 39-weeks (i.e., 13 weeks longer than the current 26-week limit), and a temporary Pandemic Unemployment Assistance Program was established for self-employed, independent contractors, and part-time workers to receive unemployment benefits between January 27, 2020 and December 31, 2020.
- **Medicare and Medicaid Funding:** The federal government is providing \$30 billion—the first phase of \$100 billion allocated to the Public Health and Social Services Emergency Fund—in grants to health providers based on their Medicare revenue to reimburse healthcare providers for emergency-related expenses and loss of income.
- **Supplemental Healthcare Funding:** Health centers in Puerto Rico and across the United States can receive additional funding from the Health Resources and Health Administration (“HRSA”). The HRSA has awarded \$18 million to health centers in Puerto Rico.
- **Additional Healthcare Provisions:** Puerto Rico is also eligible to participate in (i) a \$200 million fund for the provision of telehealth services; (ii) the expansion of the Medicare Hospital Accelerated Payment Program to fund advances for acute care hospitals; and (iii) a \$1.5 billion fund allocated to support testing, procure supplies, and execute local response needs related to COVID-19.
- **Support for Small Businesses:** Small businesses in Puerto Rico may participate in (i) grants for the forgiveness of loans to maintain existing labor and the payment of other expenses such as rent, mortgage, electricity, and water; (ii) emergency grants of up to \$10,000 from the Small Business Administration (“SBA”) to cover operating costs, employee wages, insurance premiums, cost of payroll, and sick leave; and (iii) six months of covered payments for businesses with existing SBA loans. Preliminary estimates include that over \$658.6 million has been approved or disbursed to small businesses in Puerto Rico under this program.
- **Security Measures:** The federal government has allocated about \$1.5 billion to support the National Guard and an additional \$850 million for the purchase of personal protective equipment, medical supplies, and the payment of overtime to police and correction agents across the United States.
- **Education Relief:** Puerto Rico will have access to a \$30.75 billion fund to help schools and universities. The University of Puerto Rico will receive \$81.1 million to provide emergency assistance and healthcare response for individuals, families and personnel, with 50% of the funds specifically allocated to students. In addition, federal student loan payments have been automatically suspended until September 30, 2020.

- **Housing Relief:** The CARES Act allocated over \$11 billion to ensure that federal housing programs are not affected during the emergency period. The U.S. Department of Housing and Urban Development is making available approximately \$52 million to Puerto Rico through its available grants and housing programs. These funds are intended to enable municipalities to establish medical facilities for testing and treatment, to build emergency accommodation for the homeless and provide support for those living with HIV/AIDS and their household members in the form of housing, nutrition and medical care.
- **Transportation Relief:** The federal government has provided \$10 billion in aid to certain transportation business (especially airports and the aviation industry) to combat the COVID-19 crisis and deal with the sharp decrease in air travel. Puerto Rico has been assigned \$168.7 million from this fund.

25. In addition to the foregoing measures, the CARES Act established a \$150 billion Coronavirus Relief Fund to further support state and local governments. The Coronavirus Relief Fund sets aside \$3 billion for the District of Columbia, Puerto Rico, Virgin Islands, Guam, Northern Mariana Islands and American Samoa, which is to be distributed based on proportionate population. As Puerto Rico's population of 3.2 million people reflects approximately 74.5% of the total population of these territories, Puerto Rico is expected to receive approximately \$2.2 billion of this funding. This aid is designed to cover unbudgeted costs incurred between March 1 and December 30, 2020 that are deemed necessary expenditures resulting from the COVID-19 emergency.

26. On April 6, 2020, the Oversight Board authorized the Government's request for the one-time use of \$400 million in Commonwealth funds to advance Recovery Rebate payments to individuals and families as provided in the CARES Act. Because Puerto Rico maintains its own tax regime separate from the federal government, the CARES Act provided that the funds for the Recovery Rebates (among other tax incentives and tax rebates) will be routed from the U.S. Treasury to the Puerto Rico Department of Treasury ("Hacienda") in accordance with a distribution plan to be developed by Hacienda and approved by the U.S. Secretary of the Treasury. To avoid delays in distributing the critical Recovery Rebates, Hacienda requested Oversight Board

approval to advance the Recovery Rebate payments until the distribution plan is ratified and Hacienda receives the federal funds. The \$400 million advance of Commonwealth funds represents only a portion of the total expected federal distribution of Recovery Rebates to individuals and families in Puerto Rico and will be replenished in its entirety upon the Government's receipt of federal funds from the U.S. Treasury.

27. Financial support from the federal government has also included significant monetary policy actions from the Federal Reserve that will affect Puerto Rico. On March 15, 2020, the Federal Reserve announced that it would lower its target federal funds rate—a benchmark for short-term lending for financial institutions and many consumer rates—to near 0%. The Federal Reserve has also indicated that it could make up to \$4 trillion in loans to businesses to rescue the U.S. economy (if necessary) and committed to a quantitative easing policy of purchasing at least \$700 billion of U.S. Treasury bonds and agency-backed mortgages to increase market liquidity and encourage lending and investment. On March 23, 2020, this quantitative easing policy was adjusted by removing limits on the Federal Reserve's asset purchases. On April 9, 2020, the Federal Reserve announced further actions to provide up to \$2.3 trillion in loans to support the U.S. economy, including the establishment of (1) a Paycheck Protection Program Liquidity Facility designed to extend credit to eligible financial institutions that originate SBA loans to small businesses so that they can keep workers on their payroll and (2) a \$500 billion Municipal Liquidity Facility that will offer be used to purchase short-term municipal notes from states, the District of Columbia, and certain U.S. counties and cities in order to ease the economic burden of the COVID-19 crisis. By way of letters to the U.S. Treasury Secretary Steven Mnuchin and Federal Reserve Chairman Jerome Powell on April 15, 2020, Resident Commissioner Jenniffer González expressed concern that the terms of the Federal Reserve's initiative appeared to exclude Puerto

Rico and other territories from the Municipal Liquidity Facility. Accordingly, the Government has sought clarifications as to the impact of recent Federal Reserve policies and has encouraged their application to Puerto Rico.

28. The full extent of federal government support to Puerto Rico is still uncertain as existing federal stimulus has not been fully implemented and additional measures are likely to be enacted. In fact, congressional leaders are currently discussing a fourth federal stimulus package that is expected to focus on further assisting small businesses and healthcare systems, extending and strengthening unemployment benefits, providing families with additional direct payments, and providing additional support for state and local governments. The Governor has requested that any new federal stimulus also provide for forgivable community disaster loans.

E. Additional Specific Efforts to Combat the COVID-19 Pandemic²

1. Department of Health

29. The Department of Health, along with the Commonwealth, continues to focus its efforts on tracking and combating the COVID-19 crisis. As of April 21, 2020:

- Puerto Rico had 915 confirmed cases and 64 deaths.
- Over 11,848 COVID-19 tests have been performed, with 8,789 negative results and 1,751 pending results.
- 1,036 ventilators are in stock and available to be used in Puerto Rico, of which 254 are in use at this time and 782 remain available. Of these, 190 are pediatric ventilators.
- 2,389 adult beds and 249 pediatric beds are currently vacant out of a total 3,709 and 989 hospital beds, respectively.

² The data and information provided herein has been obtained by AAFAF directly from PREPA, HTA, the Department of Health, and the Department of Education.

30. As part of its evolving and continuing analysis of this crisis, the Department of Health has estimated that Puerto Rico will reach the peak of this pandemic approximately by May 8, 2020.

2. Department of Education

31. As a result of Executive Order 23, as discussed above, all public schools in Puerto Rico have been closed since March 16, 2020. However, the Department of Education has continued to provide services to students through online classes, use of the EduPR application, and learning modules available online. To date, approximately 465,000 classes have been downloaded through the EduPR application, and over 4,900 parents or caregivers and 6,400 teachers have been trained on how to use the system. The Department of Education has also developed guidelines, telemedicine and online alternatives to provide support to students with special education needs. The Government has allocated approximately \$240 million to the Department of Education as part of the Emergency Measures Support Package for materials and technology to further support online learning.

32. The Department of Education has also endeavored, in coordination with the Commonwealth and federal agencies, to ensure that its students have access to free and nutritional meals. In coordination with the federal Food and Nutrition Services (“FNS”), the Department of Education has donated over 364,000 pounds of food to FNS pre-authorized non-profit organizations including the Salvation Army, Puerto Rico Voluntary Organizations Active in Disaster (“VOAD”) and the Food Bank. Through these and other efforts, an estimated 889,000 rations of food can be served through the donations made by the Department of Education to the Salvation Army and the Food Bank and an additional 3,224,000 rations of food can be served with

the donations given through VOAD. These measures provide nutritionally balanced meals not only to students, but also to their family members.

3. HTA

33. HTA is taking extraordinary measures managing remote operations and supporting the Commonwealth's overall response to the COVID-19 crisis. The COVID-19 impact on operating revenues for fiscal year 2020 is currently expected to be approximately \$35-40 million, primarily related to the drop in traffic from the Governor's shelter-in-place orders (as discussed above) and due to the waiver on toll collections during March 2020. The most recent measure of daily traffic during April 2020 is consistently tracking down between 70-75% from the previous year.

4. PREPA

34. PREPA has also taken measures to support the Commonwealth's response to this crisis and protect its workforce and customers while maintaining electric services on the Island, addressing outages and client concerns. Consistent with the Commonwealth's directives, PREPA is not disconnecting customers due to payment delinquencies. PREPA is in the process of preparing updated cash flow projections based on the ongoing situation. These updated projections are likely to vary materially from the projections previously provided, which did not take into account the COVID-19 crisis and its impact to residential, commercial and industrial customers. In addition, PREPA has limited access to all of its open facilities to essential personnel and essential contractors only. For its generation plants, PREPA has established a personnel rotation system where each group is monitored for vital signs and temperature and a COVID-19 test is performed as needed, in a transition area, before starting work. PREPA has hired a contractor to

provide deep cleaning of all relevant areas and obtain face masks and gloves for employees in operational areas.

II. OTHER AAFAF ACTIVITIES

A. Continued Natural Disaster Relief Efforts³

35. In addition to the COVID-19 crisis, the Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico. Since AAFAF's last update to the Court during the March 2020 omnibus hearing, AAFAF has the following new updates to report:

- During the month of March 2020, an unprecedented 346 projects were approved by FEMA, representing \$123.9 million in funds for recovery work related to Hurricane María. Since then, FEMA has also approved nearly \$147 million representing 594 permanent work projects specific to municipalities across the island and obligated over \$122 million to repair and rebuild public buildings in over 215 projects. These projects will address damage caused by Hurricane María to municipal buildings, hospitals, universities, roads, bridges and recreational facilities.
- Material progress continues in relief efforts relating to the earthquakes and there are no longer any refugees in the Government base camps run by the Puerto Rico National Guard.
- As of March 16, 2020, approximately 803 schools (94% of all schools) were open for classes, excluding closures for COVID-19 as discussed above. Mobile classrooms and the use of alternative venues were in place for those students in the southern part of Puerto Rico whose schools had not yet re-opened.

B. Fiscal Plan Revisions

36. On March 13, 2020, the Oversight Board sent a letter notifying the Government that the Commonwealth's updated fiscal plan proposal, as submitted on February 28, 2020, could

³ The data and information provided herein has been obtained by AAFAF directly from the Central Office of Recovery, Reconstruction and Resiliency (COR3), the Puerto Rico National Guard, and the Department of Education.

not be certified without certain revisions. In that letter, the Board required the Government to submit a revised fiscal plan proposal for the Commonwealth by March 23, 2020. In light of ongoing conditions, the Board granted the Government an initial extension to re-submit a Commonwealth fiscal plan by April 15, 2020. After further discussions between AAFAF and the Board regarding ongoing economic uncertainties, the Oversight Board granted the Government a further extension of its fiscal plan submission deadline to May 3, 2020, which coincides with the end of Puerto Rico's current shelter-in-place period under Executive Order 23 (as amended). Accordingly, AAFAF is working diligently to develop a fiscal plan proposal for the Board's consideration, even as ongoing economic uncertainties and the extent of the damage continue to make financial projections difficult to ascertain.

37. The Government is also in the process of developing and submitting revised fiscal plans for other Commonwealth entities as required by the Board. In recent weeks, the Government has submitted fiscal plan revisions for HTA, the University of Puerto Rico, and the Public Corporation for the Supervision and Insurance of Cooperativas in Puerto Rico. Under the Board's current schedule, the Government intends to submit revised fiscal plans for PRASA by May 4, 2020 and PREPA by May 3, 2020.

C. Assessing Alternatives to Law 29

38. Last week, the Court issued its opinion and entered an order partially granting the Board's motion for summary judgment in the Law 29 dispute under the adversary proceeding styled *The Financial Oversight and Management Board for Puerto Rico v. Hon. Wanda Vázquez Garced, et al.*, Adv. Pro. No. 19-00393-LTS. In its decision, the Court held that Law 29—which eliminated the obligation of municipalities to contribute to the Government health plan and PayGo system for the Commonwealth's payment of pension benefits to retirees—is unenforceable and of

no effect. The Court also stayed its order until May 6, 2020 so that the Government and Board can discuss a solution to the detrimental effects elimination of Law 29 will cause. The Government respects the Court's decision and is currently assessing alternatives to alleviate the dire fiscal situation facing the Commonwealth's 78 municipalities. Although the Board recently stated in an April 15, 2020 press release that "the repeal of Law 29 is expected to have minimal consequences for municipalities this fiscal year," it is simply too soon to tell how severely Puerto Rico's municipalities will be impacted by the repeal of Law 29, global and U.S. economic trends, and the slowdown of the Puerto Rico economy due to the ongoing COVID-19 crisis. The Government looks forward to discussing viable alternatives with the Board over the next several weeks to address this critical issue.

CONCLUSION

39. The aftermath of the COVID-19 crisis poses unprecedented uncertainties for local, national, and global economies. While the societal and economic consequences cannot yet be accurately measured, the impacts will be profound and widespread. Even though some areas of the world are experiencing a slowdown of COVID-19 cases, it is currently unknown whether the outbreak has reached its peak in the United States or whether a second (or even third) wave of the disease will cause a further drag on the U.S. economy in general and the Puerto Rico economy in particular. Although it is clear that the COVID-19 pandemic has affected nearly every economy and industry in the world, it is still unclear which cross-sections of the economy will experience disproportionately negative effects, or if any will actually experience positive effects due to increases in demand for certain goods and services. In any event, one thing is clear: COVID-19 will have much broader and more profound economic ramifications on Puerto Rico's economy than its prior natural disasters, which in turn will directly affect these Title III cases. Despite our

daunting challenges, the Government remains steadfastly committed to pursuing Title III processes and outcomes that are fair and just to all interested parties and constituents.

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Respectfully submitted,

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